CONCLUSION AND SUGGESTION

India is a developing country. Low per capita income, increasing pressure of population on land, backward agriculture, poor infra-structure, vicious circle of poverty is some of the basic characteristics of Indian economy. It is a vast country having a plenty of natural and human resources for development. But it lacks capital for exploiting natural resources for economic growth. We cannot depend for long term capital on foreign countries or international financial institutions. Capital formation at a faster rate is urgently required in our economy. Banks play a pivotal role in mobilizing saving and making capital available for the economic development of the country. Therefore, they have to play an important role in accelerating the Indian economy.

The Indian Banking sector in India is very large. There were 75843 offices of Public Sector Banks in 2013, having 24147 offices in rural, 19794 in semi-urban, 16507 in urban and 15395 in metropolitan's areas. The amount deposited in PSBs was Rs.57455697 crore, capital was Rs.1904400 crore, borrowing from others was Rs.557130 crore, investment was Rs.1732665 crore, advances were Rs.4472774 crore, advances to total priority sectors contributed to Rs.1283700 crore, advances to agriculture outstanding amount was Rs.530700 crore, advances to SSI Rs. 478400 crore, advances to education Rs. 51000 crore, advances to housing Rs. 214800 crore, advances to weaker section Rs. 347400 crore respectively, till financial year 2012-13. It has acquired a broad base in the country. From class banking, it has now come to mass banking concept.

The foundation of modern banking in India was laid during the British period. After Independence, the banking industry has witnessed a phenomenal and multi-dimensional growth in the country not only in terms of coverage but also in terms of services. Commercial banks were nationalized with the objectives like increased production, diffusion of economic power, reduction of inequalities and
removal of poverty through expansion of branch network, mobilization of deposits, development of funds in productive endeavors, meeting the needs of priority and neglected sectors, reduction of regional and spectral imbalances, growth of new entrepreneurs, professionalization of management and improvement in the efficiency and terms of service of bank employees.

Commercial Banks refer to both scheduled and non-scheduled commercial banks which are regulated under Banking Regulation Act, 1949.

(a) Scheduled Commercial Banks are grouped under following categories:

1. State Bank of India and its Associates
2. Nationalised Banks
3. Foreign Banks
4. Regional Rural Banks
5. Other Scheduled Commercial Banks.

(b) Non-Scheduled Commercial Banks

Banks in the groups (1) & (2) above are known as Public Sector Banks whereas, other scheduled commercial banks mentioned at group (5) above are known as Private Sector Banks.

Public sector bank is a bank owned by the Government. The Government owns and controls the banks operations. The chairman, managing director and other senior officials of the bank are answerable to the ruling Government regarding their function and operations. The share of the banking sector held by the public banks continued to grow through the 1980s, and by 1991 the public sector banks accounted for 90% of the banking sector. In recent past, the combined total of branches held by public sector banks was 60,646 across India, and deposits accounted for Rs. 1,10,000 crore. The majority of these banks were profitable, with only one out of the 27 public sector banks reporting a loss.
The Public Sector entered in banking business with the nationalisation of the Imperial Bank of India in 1955. Public Sector Banks are the banks that are owned by the Government. The Government owns and controls operations of such banks. The first public sector bank in India was State Bank of India. It was nationalized in the year 1955. The seven other state banks became the subsidiaries of the new bank when nationalized on 19 July 1960. The next major nationalization of banks took place in 1969 when the government of India, nationalized an additional 14 major banks. The total deposits in the banks nationalized in 1969 amounted to Rs.50 crore. This move increased the presence of nationalized banks in India, with 84% of the total branches coming under government control. The next round of nationalization took place in April 1980. The government nationalized six banks.

Public Sector Banks (PSBs) advances accounted for 76.47% of total advances for All Scheduled Commercial Banks (ASCBs) as on 31st March 2012-13. The deposits of PSBs was 77.34% of total deposits of ASCBs. The investment of PSBs was 11% of the total investment of ASCBs. The owned fund of PSBs was 57.63% of the total owned funds of ASCBs at 2012-13. The total assets were 45.03% of the total assets of ASCBs at 2012-13. PSBs have rapidly expanded their foot prints after nationalization of banks in India in 1969 and further in 1980.

Fund management is the most important area of financial management. Banks are basically service rendering institution and the commodity the banks serve, is the funds itself. That is why in no other business the management of funds has a greater role than in banks. The balance sheet of a bank also technically comprise of the liabilities and assets. The liabilities side is said to have contained the items of sources of funds speaking about from where money comes. The assets side on the other hand speaks about the utilization of funds i.e. where money goes. It is evident from the balance sheet of a bank that is envolved in utilization of funds. The sources, whatsoever they are pinpoint a burden on the banks in the form of dividend or interest. Therefore, it is the proper utilization of funds which gives the financial strength to the business of a bank.
Sources of Funds

The flow of funds in any business may be visualized as a continuous process. Banks are basically service rendering institution in no other business the management of funds has a greater role than in banks. The liabilities side of the balance sheet of a bank contains the items of various sources of funds and the assets side on the other hands speaks about the utilization of funds.

The sources of funds of the Banks consist of the following:

i. Owned funds i.e. share capital, reserve and surplus.
ii. Total deposits.
iii. Borrowing from other banks, agents etc.
iv. Bills Payable- bank drafts etc.

Like other business, a bank also needs capital to start operations and to exist as a running concern. It is generally used to inspire and maintain the confidence of the depositors and also to absorb losses that may occur. Every bank is required to maintain statutorily some reserves which were originally conceived as a method of insuring the safety of banks and a means to regulate the money supply.

The study shows that the owned funds of the PSBs, increased from Rs.135625 crore in 2006-07 to Rs.408602 crore in 2012-13. The owned funds increased to 201.27 percent during the study period. Similarly owned funds of ASCBs increased from Rs.219175 crore in 2006-07 to Rs.708930 crore in 2012-13, ie., 228.02 percent from 2006-07 to 2012-13. Thus, PSBs had lower amount of increase in owned funds in comparison to ASCBs, during the study period.

However, the PSBs also resorted the borrowing from Reserve Bank of India and after a few months such amount were returned back, so the balance sheet data reflected very low amount of it.
Owned Funds to Deposits in PSBs:

Present study reveals that owned funds to deposits percent of PSBs, was 7.02 percent in 2006-07 it increased to 7.11 percent in 2012-13. In term of deposits it was 8.13 percent which increased to 9.54 percent during the same years in ASCBs. The above percents have not shown any clear trends although it fluctuated between the highest of 7.11 percent in 2012-13 and the lowest of 6.53 percent in 2009-10.

The owned funds of the PSBs, increased from Rs.135625 crore in 2006-07 to Rs.408602 crore in 2012-13. The owned funds increased to 201.27 percent during the study period. Similarly owned funds of ASCBs increased from Rs.219175 crore in 2006-07 to Rs.708930 crore in 2012-13, i.e., 228.02 percent from 2006-07 to 2012-13. Thus, PSBs had lower amount of increase in owned funds in comparison to ASCBs, during the study period.

However, so far as the Public Sector Banks is concerned substantial sums of past accumulation of inner reserve were brought in published account. During the study period, i.e., from 2006-07 to 2012-13, therefore the position of capital and reserves was improved.

Deposits of PSBs:

The study also demonstrates the composition of deposits during the period from 2006-07 to 2012-13. The total deposits of PSBs increased by 188.12 percent from 2006-07 to 2012-13. But the same increased by 175.48 percent in ASCBs. It depicts that the rise, in deposits of the PSBs, was higher by 73.94 percent than the ASCBs.

In PSBs we can find that the fixed deposits of the PSBs increased by over 215.03 percent but their percent to total deposits increased from 62.20 percent in 2006-07 to 68.01 percent in 2012-13. Whereas, the same increased by about
189.83 percent in ASCBs, though their percent to total deposits increased from 63.42 percent to 66.72 percent in ASCBs.

The saving deposits of both the PSBs and ASCBs increased by 167.95 percent and 178.33 percent respectively but their share to total deposits decreased from 26.00 percent and 23.42 percent in 2006-07 to 24.18 percent and 23.66 percent in 2012-13 respectively.

The current deposits of PSBs increased in absolute term by 90.72 percent but their share to total deposits decreased from 11.80 percent from 2006-07 to 7.81 percent in 2012-13. Whereas, the same current deposit of ASCBs also increased in absolute 101.24 percent. But their share to total deposit decreased from 13.16 percent in 2006-07 to 9.16 percent in 2012-13 in case of ASCBs. Above data shows that their total deposits percent increased during this period 2006-07 to 2012-13.

The money circulation has increased and also the number of offices of the PSBs as well as ASCBs has increased. The two decade of bank nationalized have thus witnessed a rapid growth of bank deposits aided by the greater monetization of the economy and increased domestic saving. During the period, in the sphere of deposits mobilization Commercial Banks have been facing stiff challenge from mutual funds, housing bank, leasing and investment companies all of which offer much higher interest rates. However, these alternatives do not have the convenience of easy access in time of need and safety of found.

**Borrowing of Public Sector Banks:**

The contribution of borrowing from banks and agents etc. to total resources was very low in case of both classes of banks during the period under study. It fluctuated between the highest of 8.25 percent in 2012-13 and lowest of 5.32 percent in 2006-07 in PSBs. But the same fluctuated between the highest of 10.98 percent in 2012-13 and lowest of 7.56 percent in 2006-07 in ASCBs.

*Conclusion and Suggestions*
The balance sheet of PSBs and ASCBs do not disclose huge borrowing from RBI. During the year 2006-07 to 2012-13 such borrowings accounted for 5.32 percent, and 8.25 percent of the total resources respectively in PSBs. But for the same study period such borrowings accounted for 7.56 percent and 10.98 percent of the total resources respectively in case of ASCBs.

The data shows that the borrowing from RBI and other banks to total resources was very low in case of PSBs in comparison to ASCBs. Borrowings are the tragedy for an individual life but the privilege for the public institutions specially that of the banking institutions. Banks always borrow for commercial use of funds and therefore, it is imperative that PSBs should choose this source carefully.

**Uses of Funds**

**Non-Earnings Assets of PSBs:**

The study shows that non-earning assets of the PSBs and ASCBs 2006-07 to 2012-13 constituted 9.39 percent and 5.97 percent of the total assets respectively on an aggregate. In PSB the share of non-earning assets in total assets fluctuated between lowest of 9.27 percent in 2009-10 and the highest of 12.01 percent in 2007-08 the PSBs, whereas in ASCBs it ranged between the lowest of 4.24 percent in 2012-13 and highest of 8.06 percent in 2007-08.

Similarly non-earning assets on an aggregate accounted for 11.39 percent and 12.62 percent of total deposits in PSBs and ASCBs showing respectively high percent in PSBs. Thus, the share of non-earning assets in total assets and total deposits was low in about 2.00 times in PSBs and about 6.65 times in ASCBs.

**Earning Assets of PSBs:**

The study has demonstrated the employment of funds in earning assets of the PSBs and ASCBs. The proportion of income-earning assets to total assets and total deposits constitute a significant volume of amount in both classes of banks, showing 90.61 percent and 109.95 percent in the Public Sector Banks (PSBs).
Whereas the corresponding percent were 94.03 percent and 201.73 percent in the year 2006-07 and 2012-13 respectively in ASCBs, on an average aggregate the proportion of income earning assets to total assets fluctuated between the highest of 93.24 percent in 2012-13 and lowest of 87.99 percent in 2007-08 in the PSBs and the highest of 95.76 percent in 2012-13 and lowest of 91.94 percent in 2007-08 in ASCBs.

The percent to total deposits fluctuated between the lowest of 107.85 percent in 2007-08 and the highest of 116.90 percent in 2012-13 in the PSBs. The lowest and highest percent were 197.75 percent in 2006-07 and 206.20 percent in 2012-13 in ASCBs. The percent of income earning assets to total assets of the PSBs was lower by about 3.42 times than of ASCBs during the period 2006-07 to 2012-13.

**(I) Cash with other Banks in Saving and Fixed Deposits**-

The study also demonstrates the income-earning to total assets ratio in banks. It reflects that its share of cash with other banks, in saving and fixed deposits was very negligible. Its share in total assets was 1.21 percent in PSBs and 41.44 percent in ASCBs. In both the categories, ASCBs was higher in comparison to PSBs in this ratio.

**(II) Money at Call and Short Notice**-

The item ‘money at call and short notice’ ranks third from the view point of earning assets but as far as liquidity is concerned it stands first. This item represents largely the amount lent to the discount market or to the stock exchanges which are recoverable either on demand or on serving a short notice.

The study reveals that among the income earning asset to total assets, its share of money and call and short notice in total assets was 1.11 percent in PSBs and 0.70 % in ASCBs during the period 2006-07 to 2012-13. Above table shows an increase of PSBs income earning asset to total assets over ASCBs. It fluctuated.
between the higher of 1.64 percent in 2006-07 and the lowest of 0.81 percent in 2007-08 in the PSBs. The same fluctuated between the higher of 1.04 percent in 2006-07 and the lowest of 0.56 percent in 2007-08 in ASCBs.

(III) Investment Pattern of PSBs-

The nature and composition of the investment portfolio of a commercial bank is mainly determined by the nature of its sources of funds, since bulk of the sources of funds of a modern commercial bank consist of public deposits and withdraw able on demand, its investments portfolio has to be so tailored as to impair the least its capacity to pay out cash on demand to its depositors.

The study depicts the investment pattern of the PSBs and ASCBs during the period from 2006-07 to 2012-13. The share of total investment in total assets was 26.20 percent in the PSBs and 16.51 percent in ASCBs on an aggregate amount during the period from 20006-07 to 2012-13. If we go through various complements of investment, we may find that the share of Government securities assets occupied first place which was 21.38 percent on an average fluctuating between the highest of 22.61 percent in 2009-10 and the lowest of 19.73 percent in 2012-13 in PSBs; but the same was 12.87 percent on an average fluctuating between the highest of 13.51 percent in 2009-10 and the lowest of 12.09 percent in 2010-11 in ASCBs. The share of non government securities in total assets was 4.83 percent in the PSBs and 3.64 percent in ASCBs on an average. The both fluctuated between the highest of 5.35 percent in 2006-07 and the lowest of 4.25 percent in 2011-12 in ASCBs. It fluctuated between the highest of 3.85 percent in 2012-13 and the lowest of 3.35 percent 2008-09, in its counterpart.

Thus, during the period 2006-07 to 2012-13, the proportion of total investment to total assets was always higher in Public Sector Banks (PSBs) in comparison to All Scheduled Commercial Banks. It should also be noted down that the gap in the share of government securities narrowed down in both classes of the banks. The reason behind the fluctuation of investment in these securities may be the
purchase and sale of securities. Further, among the non Government Securities the proportion of share, debenture and other to total assets was very negligible.

(IV) Advances of PSBs-

The last order of priority in a bank’s employment of funds is occupied by ‘advances’. But from the stand point of earning as also public relations, it represents the most significant outlet of banks’ disposal of funds. After adequate provisions have been made for liquidity and near liquidity, banks can then use their funds in making advances.

The study shows the employment of funds in advances by both types of the banks i.e. PSBs and ASCBs during the period from 2006-07 to 2012-13. The share of total advances to the total assets was 28.28 percent in the PSBs and 16.04 percent in ASCBs on an aggregate, showing the higher percent in PSBs. Out of total advances the share of loan, cash credit and overdrafts in total assets was higher over 24.64 percent in the PSBs in comparison to 13.46 percent in ASCBs. Out of total advances, the share of bills discounted and purchased to total assets during the period from 2006-07 to 2012-13 was 3.60 percent in PSBs and the same was 2.58 percent in ASCBs during the period 2006-07 to 2012-13 on an aggregate.

It should also be noted that the ratio of total advances to total assets was always higher in PSBs in comparison to ASCBs. During the same period the share of total advances to total deposit was lower in PSBs, which was 34.31 percent in ASCBs. This share was 34.48 percent on an aggregate during 2006-07 to 2012-13, showing a higher amount of 0.17 percent in ASCBs.

Out of total advances the share of loan, cash credit and overdrafts to total deposits was also higher (i.e. 29.94 percent) in PSBs in comparison to ASCBs (i.e. 28.94 percent) on an aggregate, which was higher about 1.0 percent in the PSBs. The share of bills discounted and purchased to total deposits was lower
by 1.16 percent in PSBs. This was 4.37 percent in comparison to 5.53 percent in ASCBs.

The classified analysis of employment of funds in the PSBs and ASCBs shows that the share of total advances to total assets in base shows that the PSBs maintained superiority over ASCBs. Thus, it can be said that the PSBs has Superiority over ASCBs in percent increase of total advances to total assets and total deposits.

**Sources of Funds of the State Bank of India**

The Resources of the SBI Consist of the Following:

i. Owned funds i.e. share capital, reserves funds.
ii. Total deposits
iii. Borrowing from other banks, agents etc. and
iv. Bills payable- bank draft etc.

**Owned Funds to Total Resources in SBI**

The study reflects that the owned funds contributed 5.94 percent of the total resources in 2006-07 and rose to 6.63 percent in 2012-13 in SBI. Whereas, the contribution of owned funds was 6.82 percent in 2006-07, which increased to 7.70 percent in 2012-13 comparatively in ASCBs.

The owned funds of the SBI, increased from Rs.31298 crore in 2006-07 to Rs.98884 crore in 2012-13. The owned funds increased to 215.94 percent during the study period. Similarly owned funds of ASCBs increased from Rs.219175 crore in 2006-07 to Rs.708930 crore in 2012-13, i.e., 228.02 percent from 2006-07 to 2012-13. Thus, SBI had little bit lower amount of increase in owned funds in comparison to ASCBs, during the study period.

The deposit accounts for the maximum of total resources in banking industries. The percent of its contribution to total resources, varied from year to year. It
fluctuated between the highest 82.67 percent in 2006-07 and lowest 80.69 percent in 2012-13. The main reason of its decline lie in opening of many new banks, viz. Pvt. Ltd. banks, realty sector banks etc., in India, who give high and attractive rate of interest to depositors.

The contribution of borrowing from banks to total resources of the banks fluctuated between the highest of 11.35 percent in 2012-13 and lowest of 7.54 percent in 2006-07. The balance sheet of SBI does not disclose much borrowing from reserve bank of India. However, in a busy season of the year like other banks the SBI also resorted to borrowing from Reserve Bank of India and after few months such amounts were returned back, so that the balance sheet data showed very low amount of borrowing by the SBI.

The item bills payable included unpaid bank drafts and telegraphic transfer on the data of balance sheet. These items accounted for 3.85 percent in 2006-07 and 1.32 percent in 2012-13 of the total resources.

**Deposits of SBI**

Like other commercial banks the SBI regards deposits as the most important source of funds. In view of the limitations regarding growth of their owned funds, this bank has been bent upon augmenting their financial resources by mobilizing deposits; the growth rate of their deposits has been faster than that of their owned funds.

**Owned Funds to Deposits in SBI**

The study reveals that owned funds, i.e., capital, reserve and surplus of the SBI was 7.19 percent in 2006-07 which increased to 8.22 percent in 2012-13. The percent has not showed a clear trend, though it fluctuated between the highest 9.12 in 2007-08 and the lowest 6.96 percent in 2010-11.
The percent of owned funds to deposits in case of ASCBs was 8.13 percent in 2006-07, and 9.54 percent of 2012-13. It fluctuates between the highest 9.80 percent in 2007-08 and the lowest 8.13 percent in 2006-07.

The ratio of SBI was 0.68 percent high in comparison to ASCBs in 2007-08. But thereafter it was very low 2.12 percent in 2010-11 in comparison of ASCBs. This decrease in the ratio is the result of a poor rise in the amount of capital, reserves & surplus in SBI comparatively ASCBs. So, SBI is supposed to grow its capital, reserve & surplus.

The ratio of owned funds to deposits has been increased in 2011-12 and 2012-13 only. Thus, it indicates that the increase in owned funds to deposits of SBI was lower than the increase in ASCBs.

**Composition and Growth of Deposits of SBI**

The study reveals that between 2006-07 to 2012-13, the total deposits of SBI increased by 176.16 percent. But the same increased by 175.48 percent in 2012-13 comparatively in ASCBs. Which shows that rise in the deposits of the State Bank of India was higher by about 0.68 percent to ASCBs. If one makes a classified analysis of deposits of both classes of banks, one will find that the fixed deposits of the SBI increased by over 195.77 percent but their percent to total deposits increased from 51.52 percent in 2006-07 to 55.18 percent in 2012-13. Whereas the same increased by about 189.83 percent but their percent to total deposits increased from 63.42 percent to 66.72 percent of ASCBs.

The saving deposits of both the SBI and ASCBs by 230.18 percent and 178.33 percent respectively but their share to total deposits 29.65 percent and 23.42 percent in 2006-07 to 35.45 percent and 23.66 percent in 2012-13 respectively.

The current deposits of SBI increased in absolute term by about 37.42 percent but their share to total deposits decreased from 18.83 percent to 9.36 percent in 2012-13 whereas the same ASCBs also increased in 101.24 percent. But their
share to total deposit decreased from 13.16 percent in 2006-07 9.16 percent in 2012-13 in ASCBs.

During the period 2006-07 to 2012-13 the money in circulation increased both SBI and ASCB and number of offices of SBI and ASCBs also increased by about 60.50 percent and 47.09 percent respectively.

The two decade of bank nationalized have thus witnessed a rapid growth of bank deposits aided by the greater monetization of the economy and increased domestic saving. During this period in the sphere of deposits mobilization commercial bank have been facing stiff challenge from mutual funds, housing bank, leasing and investment companies all of which offer much higher interest rate. However, these alternatives do not have the convenience of easy access in times of needs and safety of funds. As a result commercial banks maintained the growth rate during the period.

**Borrowing as a Sources of Funds**

Scheduled Banks including SBI resort to borrowing as and when their own funds fall short of requirements, the contractual obligation between the Scheduled Commercial Banks and Reserve bank of India. A commercial bank may take resort to these sources of funds for following purpose:

i. To meet some unexpected and temporary demand of funds, or
ii. To meet on expansion of its business, or
iii. To meet seasonal needs, or
iv. To meet certain emergencies.

**Borrowing of State Bank of India**

The contribution of borrowing from banks and agents etc. to total resources was very low in case of both classes of banks during the period under study. The study depicts that it fluctuated between the highest of 11.35 percent in 2012-13
and lowest of 6.16 percent in 2008-09 in SBI. But the same fluctuated between the highest 10.98 percent in 2012-13 and lowest 7.56 percent in 2006-07 in ASCBs.

During the year 2006-07, and 2012-13 such borrowing accounted for 7.54 percent and 11.35 percent respectively of the total resources of State Bank of India. But the during the same years such borrowing accounted for 7.56 percent, and 10.98 percent respectively of the total resources of ASCBs.

Uses of Funds of SBI

A bank is a business enterprise- an economic unit. It is a profit seeking concern as any other commercial and industrial organization. The difference, however, is that its profit motive is cautiously being played down by what is called “flavor for public service.” Within the constraints imposed on it, the management of the bank will seek to maximize the market value of its shares. But, since a bank is a financial intermediary bulk of its assets and liabilities are intangible and in the nature of ‘claims’.

The deposit are main item of resource and on the deposits bank has to pay the interest so it is in all fitness of things that banks must invest their funds in the avenue from where the higher rate of interest is yielded. The banks can get maximum profit through the proper employment of its funds. Like other commercial banks, the SBI employs its funds in various assets which can broadly be divided into:

A. Non-earning assets
B. Earning assets

Non-Earning Assets of SBI:

The study shows that in SBI the share of non-earning assets in total assets fluctuated between 4.6 percent in 2012-13 and 8.62 percent in 2007-08, whereas
in ASCBs it ranged between 4.24 percent in 2012-13 and 8.06 percent in 2007-08. Similarly non-earning assets on an aggregate accounted for 13.34 percent and 12.62 percent of total deposits in SBI and ASCBs showing respectively high percent in State Bank of India. Thus, the share of non-earning assets in total assets and total deposits was higher in SBI about 7.1 times and about 6.65 times in ASCBs.

**Earning Assets of SBI:**

The study also evaluated the employment of funds in earning assets of the SBI and ASCBs. On an average aggregate the proportion of income earning assets to total assets the SBI was lower 0.27 percent in 2006-07 and they are increased to 1.08 percent in 2012-13 comparison to ASCBs. It fluctuates between the highest 95.40 percent in 2012-13 and lowest 91.40 percent in 2007-08 in the SBI and the highest 95.76 percent in 2012-13 and lowest 91.94 percent in 2007-08 in ASCBs.

The percent to total deposits fluctuate between the lowest the 196.45 percent in 2007-08 and the highest 208.04 percent in 2012-13 in the SBI as against which the lowest and highest percent are 197.75 percent in 2006-07 and 206.20 percent in 2012-13 in ASCBs.

**(I) Composition of Earning Assets-**

In the employment of funds, it is the income-earning assets which attract the largest attention of a bank. It is this investment which brings revenue to the bank and enables it to communicate with the outside world. For the bank, the various earning assets in ascending order are:

**(II) Cash at other Bank in Deposits and Call Money of SBI-**

The study reveals that cash with other banks in saving and fixed deposits share in total assets of SBI was 1.82 percent lower in comparison to ASCBs. During the
period 2006-07 to 2012-13. The item ‘money at call and short notice’ ranks third from the view point of earning assets but as far as liquidity is concerned it stands first. This item represents largely the amount lent to the discount market or to the stock exchange which are recoverable either on demand or on serving a short notice.

Its share of money and call and short notice in total assets was showing an increase of by about State Bank of India was higher 0.23 times comparison to ASCBs. It fluctuate between the highest 1.93 percent in 2006-07 and lowest 0.34 percent in 2009-10 and same highest 1.04 percent in 2006-07 and lowest 0.53 percent in 2010-11 in SBI and ASCBs respectively during the period 2006-07 to 2012-13.

(III) Investment of SBI-

The nature and composition of the investment portfolio of a commercial bank is mainly determined by the nature of its sources of funds, since bulk of the sources of funds of a modern commercial bank consist of public deposits and withdraw able on demand, its investments portfolio has to be so tailored as to impair the least its capacity to pay out cash on demand to its depositors.

The study reveals that the share of total investment to total assets of SBI was lower to 0.87 percent in ASCBs on an aggregate amount during the period between 2006-07 to 2012-13. It fluctuated between 17.59 percent in 2008-09 to 16.76 percent in 2006-07 in SBI and the same in ASCBs was lowest 13.86 percent in 2011-12 and 16.04 percent in 2011-12.

The share of Government securities assets was 0.63 percent lower in SBI comparison to ASCBs on an aggregate. Its fluctuating between the highest 14.42 percent in 2008-09 to the lowest of 10.27 percent in 2012-13 in SBI but the same fluctuated between the highest 13.51 percent in 2009-10 and the lowest 12.09 percent in 2010-11 in All Scheduled Commercial Banks.
The share of non government securities in total assets of aggregate was 0.34 percent lower in SBI comparison to ASCBs. The reason behind the fluctuation of investment in these securities may be the purchase and sale of securities. It should be also noted down that the gap in the share.

(IV) Advances of SBI-

The last order of priority in a bank’s employment of funds is occupied by ‘advances’. But from the stand point of earning as also public relations, it represents the most significant outlet of banks’ disposal of funds. Banks are obliged to serve the genuine credit needs of the community in which they are located. This asset is the largest part of revenue of the banks. Here the banker is brought into direct relation with the public.

The study evaluates the employment of funds in advances by both the banks i.e. SBI and ASCBs during the period between 2006-07 to 2012-13. The ratio of total advances to the total assets was 18.56 percent in the SBI and 16.04 percent in ASCBs showing lower percent by about 2.52 in ASCBs on an aggregate. It fluctuate between the highest 21.13 percent in 2012-13 and the lowest 16.34 percent in 2007-08 in the SBI and the same the highest 17.64 percent in 2012-13 and the lowest 15.04 percent in 2008-09 in the ASCBs out of total advances the share loan, cash credit and overdrafts in total assets was higher (i.e. 15.50 percent) in the SBI in comparison to 13.46 percent in ASCBs and the share of bills discounted and purchased in total assets was also higher in SBI (i.e. 3.06 percent) in comparison to ASCBs (i.e. 2.58 percent) on an aggregate.

During the same period the share of total advances to total deposits was higher in SBI with 39.75 percent than the ASCBs with 34.48 percent on an aggregate amount showing a higher percent by about 5.27 in SBI out of total advances the share of loan, cash credit and overdrafts to total deposits was also higher (i.e. 33.20 percent) in the SBI in comparison to ASCBs (i.e. 28.94 percent) on an aggregate, which was higher by about 4.26 percent in SBI. Whereas the share of
bills discounted and purchased to total deposits was higher (i.e. 6.56 percent) in SBI in the comparison to ASCBs (5.53 percent) on an aggregate which was higher by about 1.03 percent.

The classified analysis of employment of funds in the SBI and ASCBs shows that the share of total advances to total assets in base shows that the SBI maintained superiority over ASCBs. Thus, it can be said that the SBI has Superiority over ASCBs in percent increase of total advances to total assets and total deposits.

**Financing of Priority Sectors**

Financing of priority sector of the economy has been one of the strategies of commercial banks in their developmental role in India. The task of nationalized banks was stated to be to restore vitality to the rural economy, built up the future prosperity of the common man and reinforce both the agriculture and rural industry. The credit policy of banks in India was directed towards promoting investment, aiding production and exports and assisting the priority sectors and weaker sections of the society to make a success of ‘Garibi Hatao’ campaign. The banks extended liberal credit facilities to the priority and neglected sectors of the economy which include agriculture, small-scale industries and other priority sectors comprising small borrowers. These hitherto neglected sectors have been given due priority not only because of their tremendous potential for employment generation and various other benefits they confer on the weaker section of the society, but also because of their insignificant contribution to the national economy.

**Priority Sector Advances by PSBs**

The study depicts that PSBs advances in India rose 34.09 percent from 2006-07 to 2012-13. The same ASCBs had, i.e., 35.47 percent from 2006-07 to 2012-13. The advances in India rose more than 193.38 times in PSBs and 181.90 times in ASCBs from 2006-07 to 2012-13 respectively.
The amount outstanding of priority sector advances was 36.16 percent in 2006-07 thereafter it decreased to 31.51 percent by the end of 2012-13 and the ASCBs same figure has 35.07 percent in 2006-07 and 31.16 percent in 2012-13. Which shows that the PSBs and ASCBs not achieved the target of 40% adjusted net bank credit of total priority sector. The both classes of banks decreased their outstanding advance-percentage during the year. Therefore, the both classes of bank have to pay attention on misuse of financing to the priority sectors to decrease outstanding advance ratio in both classes of banks.

**Priority Sector Advances by SBI**

The study reveals that SBI’s advances in India rose to 193.44 percent from 2006-07 to 2012-13. The same as advances in India rose more than 159.09 times in SBI and 150.43 times in ASCBs during 2006-07 to 2012-13.

It is evident that the percent of priority sector advances was 34.11 percent and 30.10 percent by the end of 2011-12 and 2012-13 and corresponding figure were 32.09 percent and 31.16 percent in ASCBs. It shows that the SBI not only achieved the target of raising these advances to the level of 34.11 percent of its total advances before the stipulated period viz. in 2012-13, but also decreased the share further to 30.10 percent by the end 212-13. But, as far as ASCBs in concerned, it failed to achieve the target (40%) as only 31.16 percent was achieved by 2012-13. We can see that neither SBI nor ASCBs, achieved the target of priority sector advances as laid under RBI rules. Thereafter, the both classes of banks have paid attention towards financing the priority sectors and then the shares of these advances increased in both classes of banks.

**Agriculture Advances by PSBs**

The study also compares the agricultural advances of PSBs & ASCBs. If we compare the agriculture advances to total advances of both banks in India, we find that PSBs advances were 15.14 percent in 2006-07 which decreased to 13.36 percent and it fluctuated between the highest of 15.14 percent in 2006-07
and the lowest of 13.36 percent in 2012-13. It was 14.30 percent on an aggregate. It also shows that the amount outstanding increased by 158.76 times. The number of a/c was 253.49 lakh in 2006-07 but it increased to 436.70 lakh in 2012-13. Same as ASCBs had 12.32 percent advances in 2006-07 but thereafter it decreased to 11.20 percent in 2012-13, which fluctuated between the highest of 12.32 percent in 2006-07 and the lowest of 11.25 in 2008-09 and on an aggregate of 11.82 percent. The amount outstanding increased 156.26 times and number of A/c from 33216567 in 2006-07 increased to 51831185 in 2011-12. While comparing the aggregates we can find that advances of PSBs were higher by 2.48 percent, and amount outstanding was higher by 2.50 times than ASCBs in India.

**Agriculture Advances by SBI**

The study has also evaluated the agricultural advances. If we compare the agricultural advances to total advances of both categories of banks in India, we find that its share was 14.99 and 11.82 percent in SBI and ASCBs respectively; on an aggregate showing a higher percent by 3.17 times in the SBI. The number of farmer’s accounts were increase of 86.00 times in SBI and 56.04 times in ASCBs agricultural advances during the study period.

**Direct & Indirect Agriculture Advances by PSBs**

The study discloses that the direct agriculture amount outstanding advances of PSBs over the period increased by more than 153.27 times and the number of farmer’s account of the PSBs have gone up 53.68 times. In case of ASCBs the period the bank’s direct amount outstanding of agriculture advances to farmers increased by more than 173.28 times and the number of farmers account of the ASCBs have gone up 52 times. In both categories of banks comparatively PSBs has higher position than to ASCBs.

The indirect amount outstanding of agriculture advances which shows that over the period the PSBs indirect agriculture advances to farmer increased by more
than 16.61 times and the number of account of farmers the PSBs went up 76.87 times, but that the same indirect amount outstanding advances of ASCBs, it shows that over the period of time ASCBs indirect agriculture advances to farmer increased by more than 59 times and the number of account at ASCBs went up 233 times

**Direct & Indirect Agriculture Advances by SBI**

The study reveals that the direct agriculture advances of the SBI, over the period increased by more than 154 times and the number of farmer's account in the SBI went up 64 times. In the same period which shows that the over period the bank’s direct agriculture advances to farmers increased by more than 173 times and the number of farmers account of the SBI went up 52 times in ASCBs. As, SBI direct advances to total agriculture advances in India was 75.76 percent in 2007-08 an 87.02 percent in 2012-13. In the same period ASCBs direct advances to total agriculture advances in India was 74.50 percent in 2006-07, which increased to 83.40 percent in 2011-12.

The indirect agriculture advances of the SBI which shows that over the period the bank’s indirect agriculture advances to farmer increased by more than 19 times and the number of account of the SBI went up 4 times, but that the same indirect advances of ASCBs, which shows that over the period bank’s indirect agriculture advances to farmer increased by more than 59 times and the number of account of the ASCBs went up 233 times. SBI’s indirect advances to total agriculture advances in India was 24.24 percent in and 13.06 percent in 2012-13 which shows their decreased contribution than previous years. The ASCBs indirect advances to total agriculture advances was 25.50 percent in 2006-07 which reduced to 15.80 percent in 2012-13.

**Small Scale Industries Advances by PSBs**

The advances extended by the PSBs and ASCBs from 2006-07 to 2012-13 to Small Scale Industries has been studied here. During the period the PSBs made
special efforts to meet the credit needs of SSIs. The study reveals that during the period from 2006-07 to 2012-13, the number of SSI units assisted. During the above period, the number of SSI units and outstanding amount increased by 272.62 times and 356.91 times respectively. The percent to total advances on aggregate was 10.36 percent and it fluctuated to the highest of 12.04 percent in 2012-13 and the lowest of 7.73 percent in 2006-07.

Same as the ASCBs extended advances during the above period the number the SSI units and outstanding amount increased by 9.97 times and 162.17 times respectively during the period from 2006-07 to 2011-12. The percent to total advances on aggregate 10.87 percent and they fluctuates the highest 11.56 in 2009-10 and the lowest 9.42 percent in 2008-09. In both types of banks the PSBs is performing better in comparison to ASCBs in this respect.

Small Scale Industries Advances by SBI

The study also appraises the advances extended by the SBI from 2006-07 to 2012-13 to small scale industries. During the period the SBI was the only public sector commercial bank, who has been making special effort to meet the credit needs of SSI. The study depicts that during the period 2006-07 to 2012-13, the number of SSI units and outstanding amount increased by 71 times and 222 times respectively. In the same duration the ASCBs outstanding amount increased from Rs.199491 crore in 2006-07 to Rs.523003 crore in 2011-12. The share of advances to SSI units in total advances fluctuated between the highest 11.88 percent in 2010-11 and the lowest 6.16 percent in 2008-09 during the period under the study. The aggregate percent of advances to SSI units to total advances was 8.39 percent in SBI. The share of advances to SSI units in total advances fluctuated between the highest of 11.56 percent in 2009-10 and the lowest of 9.42 percent in 2008-09 during the period in ASCBs. The aggregate percent of advances to SSI units to total advances was 1.87 percents. One may find that the share of advances to SSIs advances in India was lower in the SBI in comparison to ASCBs.
There are various factors responsible for such a stupendous rise within year. Firstly, the figures data also include advances to road transport operation. Secondly, in the wake of the expected competition from other major scheduled bank and change in the Government outlook favoring bank credit to small scale industries. The SBI also made vigorous effort to increase its assistance on this sector and maintain its position. Thirdly, new scheme were introduced and various changes were made involving more simplified procedures and greater liberalization rules for sanctioning advances to small scale industries.

**Advances to other Priority Sector by PSBs**

The study also assesses the advances to other priority sector by the PSBs and ASCBs. During the period 2006-07 to 2012-13, the PSBs outstanding advances to other priority sectors increased as percent to total advances 52.44 percent in 2006-07, to increased 57.96 percent in 2012-13, they fluctuated the highest of 57.96 percent in 2012-13 and the lowest of 52.44 percent in 2006-07. In this case, their percent was always increasing during the study period. The percent to total advances on aggregate was 55.51 percent, and amount outstanding advances increased 224.28 times during the period from 2006-07 to 2012-13.

The outstanding amount of advances of ASCBs was the percent to total advances increased to 56.01 percent in 2006-07 and to 60.29 percent in 2012-13. It fluctuated to the highest of 60.29 percent in 2012-13 and the lowest of 56.01 percent in 2006-07. The percent to total advances on aggregate was 57.90 percent and amount outstanding advances increased to 203.43 times during the period from 2006-07 to 2012-13. In both categories of banks the percent to total advances on aggregate PSBs was 2.39 percent lower to ASCBs but PSBs amount outstanding advances 20.85 times higher comparison to ASCBs.

**Advances to other Priority Sector by SBI**

The study assesses the advances to other priority sector by the SBI and ASCB. During the period 2006-07 to 2012-13, the advances to other priority sectors
increased, this shows an increase of 234 times in the SBI and 203 times in ASCBs. Further, the share of other priority sectors in total advances in India was 59.25 percent in the SBI and 57.90 percent in ASCBs. On an average, the study reveals a higher percent of advances given to other priority sector by in SBI than ASCBs.

**DRI Scheme of SBI**

The study depicts that the State Bank of India’s total advances under the DRI scheme, outstanding amount contribution to total advances was as percent amount outstanding to total advances, increased to 0.008 percent in 2006-07 and 0.01 percent in 2011-12. Which shows that over the period the number of accounts went down by 28 times, but amount outstanding of advances increased to 343.11 times and their percent fluctuates to the highest of 0.01 percent in 2011-12 and the lowest of 0.008 percent in 2006-07 and their aggregate percent was 0.015 percent.

At the same time PSBs outstanding amount contribution to total advances in India as percent of amount outstanding to total advances it increased to 0.04 percent in 2006-07 and to 0.02 percent in 2011-12. Which shows that over the period number of account grew 65.38 times and amount outstanding grew up to 26.40 times, and their percent fluctuated to the highest of 0.02 percent in 2011-12 and the lowest 0.04 percent in 2006-07 and aggregate percent has 0.028 percent. Both types of banks failed to achieve stipulated target of 1 percent outstanding amount as per directives of RBI. So, these banks failed in the mission of DRI scheme.

At the end of 2006-07 these advances in India constituted 0.016 percent of the bank’s total advances in India at the end of previous year as against the net stipulated target of 1 percent in this respect.

It is important to note that owing to the absence of the benefit of capital subsidy in the DRI scheme, the eligible beneficiaries prefer to avail the financial
assistance under other schemes like IRDP, SEEUY and SEPUP where such subsidy is available.

**Weaker Section Advances by PSBs & SBI**

The advances to weaker section by SBI contributed the total outstanding amount. It shows that the SBI advances to weaker section during this period always grew and went up to 60 times-outstanding amount and the number of account increased up to 52 times during this period. The same PSBs contributed in total outstanding amount. It shows that the PSBs amount outstanding advances to weaker section always grew and went up 107.97 times and their number of account grew up 46.34 times during the above period. In both banks comparison the PSBs of outstanding amount advances was higher 47.97 times but PSBs of number of account was lower 5.66 times during the period.

The SBI has evolved several innovative programmes for the benefit of the weaker section of society. The SBI has also been vigorously participating in the credit linked programmes initiated by the Government of India for the alleviation of poverty and assistance to the educated unemployed to participate in gainful self employment activities.

**Education Loan by PSBs & SBI**

The study evaluates the advances to education loan by SBI & PSBs during the period from 2007-08 to 2012-13. The above table shows that the contribution of outstanding amount which shows that over the period of study the outstanding amount grew up to 185.52 times, and numbers of account grew up to 130.47 times, and their percent fluctuated to the highest of 1.63 percent in 2009-10 and the lowest of 1.22 percent in 2007-08, and their aggregate percent has 1.47 percent for the entire period. Same as PSBs contribution of outstanding amount. It reveals that, over the study period, the outstanding amount grew up to 157 times, and the numbers of account grew up to 91.06 times, and their percent fluctuated to the highest of 1.42 percent in 2009-10 and the lowest of 1.18...
percent in 2007-08, and their aggregate percent has 1.32 percent for the study period. In both categories of banks comparatively the SBI’s outstanding amount was higher to PSBs by 28.52 times, and also aggregate percent of SBI was higher than PSBs by 0.15 percent.

**Home Loan by SBI & PSBs**

The study evaluates the advances for home loan of SBI & PSBs, as well. It shows that over the period of study the outstanding amount grew up to 78.26 times, and as percent to total advances fluctuated to the highest of 10.20 percent in 2007-08 and the lowest of 7.47 percent in 2012-13. The aggregate percent was 9.09 percent, and number of account grew to 39.45 times over the study period. Same as PSBs Which shows that over the period of time outstanding amount grew up by 45.50 times, and as percent to total advances it fluctuates the highest 8.80 percent in 2007-08 and the lowest 5.41 percent in 2012-13. The aggregate percent was 6.79 percent, and number of account grew to 15.36 times over the period. The both categories of banks show their outstanding amount always in increasing mode but their percent to total advances always in decreasing mode. This is why the banks are not interesting in giving more advances to this sector.

**Income and Expenditure of the PSBs**

The items of income and expenditure of the PSBs as per profit and loss accounts from 2006-07 to 2012-13 have been analyzed herewith. The study reveals that as percentage of operating income that is income from interest, discount, commission exchange and brokerage account for 74.91 percent and 22.60 percent respectively in 2006-07. As for as ASCBs, these percent were 70.76 percent and 20.01 percent in 2006-07. This shows that the interest paid on deposits and borrowing was lower and the establishment expenses were higher in PSBs in comparison to ASCBs. This was on account of the treatment of the
commercial banks as a going concern, paying high rates of interest on deposits and bearing highly paid staff.

Other expenses like directors’ fees, rent and taxes, law charges, postage, auditors fees depreciation on property and stationary constituted to the 79.50 percent of the total income in 2006-07.

Between 2007-08 to 2012-13 on the expenditure side, the amount of interest paid on deposit and borrowing showed the highest rate of rise in PSBs, As percent of current operating income, it was 81.70 percent in 2007-08 but just after increased to 82.13 percent in 2012-13.

In case of ASCBs the ratio of interest paid on deposit and borrowing, to operating income also showed nearly similar trend when it rose from 75.59 percent in 2007-08 but thereafter it rose 77.59 percent in 2012-13. While making comparison between both categories the PSBs was lower than that of ASCBs, in the ratio of interest paid on deposit and borrowing, to operating income.

The establishment expenses of the PSBs increased by 130.64 times during the period from 2006-07 to 2012-13. As percent of current operating income it showed fall of 22.60 percent in 2006-07, but just after it declined to 14.28 percent in 2012-13, because of the greater rise in operating income during this period.

The ratio of salaries and allowance and establishment expenses to operating income of ASCBs increased aggregately to 141.83 percent between 2006-07 and 2012-13. As percent of current operating income it showed fall of 20.01 percent in 2006-07, but just after it decreased to be 14.06 percent in 2012-13.

In the both categories of banks the ratio of salary allowance and establishment expenses to operating income of ASCBs was high due to the greater rise in operating income of the PSBs.
On the income side, the total income increased by 225.58 times during the period from 2006-07 to 2012-13 in PSBs. Interest and discount rose 280.68 times, commission exchange and brokerage rose 127 times, whereas other earning showed rose 150.62 times in PSBs. And that the same ASCBs on the income side, the total income increased 213.56 times from 2006-07 to 2012-13, interest and discount rose 262.21 times, commission exchange and brokerage rose 125.28 times and whereas other earning showed rose 155.64 times in ASCBs during this period. In both the categories of banks comparatively the total income increase of PSBs was greater than ASCBs.

The total income of PSBs gradually they rose up 225.58 times most of which was the result of rise in interest income. As against it, the total expenditure during the period from 2006-07 to 2012-13 rose by 237.25 times in the PSBs. The rise in expenditure was mainly due to the rise in the amount of interest paid on deposits. The ratio of total expenses to total income, therefore, increased during this period from 77.30 percent in 2006-07 to 80.07 percent in 2012-13, on account of smaller fluctuation in the operating expenditure in the year.

In ASCBs the total income of the banks gradually rise of 213.56 times and the total expenditure between 2006-07 to 2012-13 rose by 221.17 times, the ratio of total expenses to total income, therefore, increased during this period from 75.98 percent in 2006-07 to 77.83 percent in 2012-13. In both banks comparison the PSBs has total expenditure was higher than ASCBs. This showed 2006-07 to 2012-13 percent of total expenses to total income was increased from 77.30 percent to 80.07 percent in 2012-13. But same that the ASCBs were rose from 75.98 percent in 2006-07 to 77.83 percent in 2012-13.

**Income and Expenditure of the State Bank of India**

The items of income and expenditure of the SBI and ASCBs, as per their profit and loss accounts from 2006-07 to 2012-13, reveals that as percentage of operating income the income from interest, discount, commission exchange and
brokerage, accounted for 71.60 percent and 26.76 percent respectively in 2006-07. As for ASCBs these percentage were 70.76 percent and 20.01 percent in 2006-07. This shows that the interest paid on deposits and borrowing lower and the establishment expenses were higher in SBI in comparison to the ASCBs.

Some of the reasons for this were high rates of interest on deposits and the highly paid staff. Other expenditures like directors fees, rent and taxes, law charges, postage, auditors fees depreciation on property and stationary the total expenses constituted 77.91 percent of the total income in 2006-07.

During 2007-08 to 2012-13 the amount of interest paid on deposit and borrowing, on the expenditure side, showed the highest rate of rise in SBI. As percent of current operating income, it increased to 72.94 percent in 2007-08, but thereafter it was declined to 70.17 percent in 2012-13.

The ratio of interest paid on deposit and borrowing, to operating income of ASCBs also showed a nearly similar trend when it was raised to 75.59 percent in 2007-08, but thereafter it was raised to 77.59 percent in 2012-13. To make comparison between both category the SBI was lower than that of ASCBs in it, because of the greater rise in deposits of ASCBs.

The establishment expenses of the SBI increased by 131 percent during 2006-07 to 2012-13. It showed falling percent i.e. 26.76 percent of current operating income in 2006-07 to 18.02 percent in 2012-13, because of greater rise in operating income during this period.

The ratio of salaries and allowance and establishment expenses to operating income of ASCBs increased aggregately 141.83 percent between 2006-07 and 2012-13. As percent of current operating income, it went falling, i.e. 20.01 percent in 2006-07, 14.06 percent in 2012-13.

The ratio of salary allowance and establishment expenses to operating income of ASCBs was high due to the greater rise of operating income of the SBI.
On the income side, the total income increased by 199.81 percent during 2006-07 to 2012-13 in SBI. Interest and discount rose by 264.50 percent, commission exchange and brokerage rose by 139.00 percent, and other earning showed rise by 115.60 percent in SBI. In case of ASCBs, on the income side, the total income increased by 213.56 percent in 2006-07 to 2012-13, interest and discount rose by 262.21 percent, commission exchange and brokerage rose by 125.28 percent and whereas other earning showed rise by 155.64 percent in ASCBs during this period. Comparatively the total income of ASCBs increased due to better performance.

The total income of the bank gradually increased 199.81 percent during the study; most of which was the result of rise in interest income. As against it, the total expenditure of SBI rose by 196.68 percent from 2006-07 to 2012-13. The rise in expenditure was mainly due to the rise in the amount of interest paid on deposits. The ratio of total expenses to total income, therefore, increased during this period from 77.91 percent in 2006-07 to 77.09 percent in 2012-13 on account of smaller fluctuation in the operating expenditure in respective year.

As for as the ASCBs, the total income of the banks gradually increased 213.56 percent during the study period. Total expenditure between 2006-07 and 2012-13 rose by 221.17 percent. Between the both categories, total expenditure was comparatively higher in ASCBs. The SBI showed declined in percent of total expenses to total income from 77.91 percent to 77.09 percent in 2012-13. But the ASCBs rose from 75.98 percent in 2006-07 to 77.83 percent in 2012-13.

**Profitability of PSBs**

The study evaluates the profitability ratio during 2006-07 to 2012-13 in both classes of bank viz. PSBs and ASCBs. During this period the total operating income increased by more than 265 times in PSBs and the same for ASCBs, it increased by 243.74 times, indicating continuous rising trend in both classes of banks. The ratio of total operating income to working funds ranged between 6.60
percent in highest in 2011-12 and the lowest 5.04 percent in 2006-07 in PSBs and the same fluctuating between the highest 6.78 percent in 2011-12 and the lowest 5.62 percent in 2006-07 in ASCBs.

The study of the current operating income in both classes of bank reveals that this ratio was 5.83 percent in the PSBs and that the same 6.29 percent in ASCBs on an average during the period 2006-07 to 2012-13. This indicates that this ratio for PSBs is lower in comparison to ASCBs. It is also reflected from this analysis that during this period PSBs and ASCBs have utilized their funds more efficiently in earning assets.

The PSBs ratio of profits to the total working funds 0.84 percent in 2006-07 it decreased to be 0.73 percent in 2012-13. The same ratio of profits to the total working funds 0.97 percent in 2006-07 but thereafter it increased to 0.99 percent in 2012-13. During the period, the ratio was 0.84 percent in PSBs and 1.02 percent in ASCBs on an average, showing a lower percent in PSBs in comparison to ASCBs. As such, it appears that the PSBs has not earned profit at higher rate on their working funds in spite of the more utilization of their working funds in earning assets, in comparison to ASCBs.

Thus, the rate of profits on the bank’s working funds of the PSBs did not show a significant rising or falling trend during the period. During this period this ratio was 14.61 percent in PSBs and 16.28 percent in ASCBs on an average, showing the lower percent in PSBs. The ratio of PSBs ranged between the highest 16.59 percent in 2006-07 and the lowest 11.26 percent in 2012-13, the same for as ASCBs, it ranged between the highest 17.34 percent in 2010-11 and the lowest 14.68 percent in 2012-13. Thus, it shows that the margin of profits of the PSBs had been lower than that of ASCBs and the operating cost of PSBs had been higher in comparison to ASCBs.
Profitability of SBI

Profitability is an important index of operational and managerial efficiency of a business unit and analysis of profitability is an insight into the effectiveness of utilization of funds in the enterprise. Inadequate profits may be a cause of bad banking. As a matter of fact, the goal of banking business in the public sectors is not just the maximization of profit but rather getting the satisfactory earning without jeopardising survival.

For analyzing the profits of the SBI, the working funds, the total income and the profit from 2006-07 to 2012-13 have been studied, the working funds have been arrived at by deducting two ‘contra items’ viz. (1) Bills for collection, being bills receivable, and (2) Acceptance, endorsements and other obligation from the total liabilities as shown in the balance sheet.

The study also evaluates the profitability ratios during 2006-07 to 2012-13 in both classes of bank viz. SBI and ASCBs. During this period the total operating income increased by more than 244.15 times in SBI, and the increased by 243.74 times in ASCBs, indicating continuous rising trend in both classes of banks. The ratio of total operating income to working funds ranged between 6.98 percent in highest in 2011-12 and the lowest 5.23 percent in 2006-07 in SBI and the same fluctuate between the highest 6.78 percent in 2011-12 and the lowest 5.62 percent in 2006-07 in ASCBs.

The study of the current operating income in both classes of bank reveals that this ratio was 5.94 percent in the SBI and 6.29 percent in ASCBs on an average during the period 2006-07 to 2012-13. This indicates that ratio of SBI was lower in comparison to ASCBs. It is also reveals from this observation that during the period SBI and ASCBs has utilized their funds efficiently in earning assets.

The ratio of profits to the total working funds 0.80 percent in 2006-07 thereafter it increased to 0.90 percent 2012-13 during this period in SBI. Same for ASCBs
during this period, the ratio of profit to total working funds increased from 0.97 percent in 2006-07 to 0.99 percent in 2012-13.

During this period this ratio was 0.86 percent in SBI and 1.02 percent in ASCBs on an average showing a lower percent in SBI in comparison to ASCBs. As such it appears that the SBI has not earned profit it higher rate on their working funds, in spite of better utilization of their working funds in earning assets in comparison to ASCBs.

Thus, the ratio of profits on the banks’ working funds of the SBI doesn’t show a significant rising or falling trends during this period. Further, the ratio of profits to current operating income showed the gradually decline trend except few years. Even years in both classes of banks in spite of the total income of both classes of bank showed a continuous rise from 2006-07 to 2012-13. This indicates the lower margin of profits of banks in their operations due to increasing operation cost. The ratio of SBI ranged between lowest 14.68 percent in 2012-13 and the highest 17.34 percent in 2010-11. During this period this ratio was 14.52 percent in SBI and 16.33 percent in ASCBs, showing a lower percent in SBI, on an average.

**Suggestions**

Taking the conclusions of this study into consideration, there is an urgent need to improve the working of Public Sector Banks for enduring proper and healthy management of their funds, in coming years. In views of these observations following suggestions, if pragmatically applied, would prove productive and fruitful in combating the constraints and improving the performance of e sector banks in the field of management of funds.

**Capital Base:**

The issue of capitalisation of public sector banks has got much emphasis. The problem is not acute right now as PSBs are adequately capitalised, with all of
them having a capital adequacy ratio of above 10 per cent, with 10 of them above 12 per cent. But, the amount required to keep pace with growth is large. Also the Basel III norms would put additional pressure on these banks. Further, as we are talking of GDP growth rate of over 8 per cent on a sustained basis, companies will have a problem raising funds if banks are not up to it.

The question is how to infuse this capital in PSBs. PSBs account for around 75 per cent of deposits and credit. However, their share in equity capital is just 25 per cent, and reserves 60 per cent this year. With banks making more provisions for the restructured assets, profits will be affected, thus impacting reserves. The usual routes for infusing capital are promoters putting in more money or additional funds being raised in the market through public issuances.

In the past 15 months, most PSBs couldn't tap the equity markets to raise capital, despite favourable conditions such as abundant liquidity and a buoyant stock market. This was because of subdued valuations and a sharp rise in NPAs and restructured assets. On the other hand, some private banks, which have seen valuations double, were quick to tap the stock market for raising capital.

Therefore, it is suggested that the capital/ owned funds base of PSBs including SBI should be widen in comparison to private banks. To improve the performance the capital base of banks should be increased. Capital from the equity markets should be attracted. It will not only increase the resources but also raise capital deposit ratio by which the public confidence can also be improved.

**Additional Capital to Better Performer:**

There are a number of ways for providing additional capital, such as budgetary support and raising money by selling equities. There is a proposal to create a holding company, but such a mechanism will result in indirect and non-transparent fiscal obligations for the Union Government. There is scope and need to further lower the fiscal costs of re-capitalisation by restricting it to select
and better performing public sector banks, instead of an across-the-board policy of covering all of them, in view of the competing demands on available budgetary resources. In fact, government should adopt efficiency parameters to give more capital to banks. Only the more efficient should be rewarded with extra capital for their equity so that they can strengthen their position. Earlier, capital used to be given to banks whose equity had eroded.

**Increase the Quantity and Quality of Capital:**

Various measures should be aimed at improving the quantity and quality of capital, with the ultimate aim of improving the loss-absorption capacity in both going concerns and liquidation scenarios. The new concepts of capital conversion buffer and countercyclical capital buffer (CCB) have been introduced. The capital conversion buffer ensures that banks are able to absorb losses without breaching the minimum capital requirement, and are able to carry on business even in a downturn without deleveraging. The implications of having a buffer are low dividend payout and low bonus to employees. So if the banks go for this buffer, the fundamental question before them is how they are going to reward their shareholders and incentivise their employees as the profits are likely to decrease. Banks are already constrained in payment of dividends because there is a statutory minimum ratio where the profits have to be transferred. There must be proper trade-off for banks between being prudent and increasing profit.

**Deposit Mobilisation:**

Now the survival and development of PSBs depend upon their ability to attract deposits from different segments of the community in view of the tough competition encountered from the other banks and financial institutions both in public and private sector. Attempts should be made by the PSBs in the field of deposit mobilization on the lines suggested below:

- The rate of interest should be increased at par with other scheme of public sector in post offices and mutual funds.
• Today, the depositor is more conscious about return, liquidity and tax concession while making deposits. The deposit mobilizations, therefore, call for innovative devices and deposit drives by PSBs.

• Various concessions should be allowed under the Income tax Act on the deposits at par on various similar deposit schemes.

• It is observes that PSBs to fulfill their targets of deposits usually takes temporary deposits from rich people, Government department, public bodies, institution, corporations, etc. The window dressing of deposit by PSBs on the closing of the year is a usual practice now. This is not at all deposit mobilization. In the true sense of deposit mobilization include small saving of the people at large from different sections of the society

• A plenty of scope is still exist in rural areas due to green revolution and rural development. For this purpose, the PSBs have to go to rural areas should be mixed up with common man get be friend with them. For this purpose, they should stop the practice of commuting daily to the nearby town or city.

• The age old concept' saves for a rainy- day’ is now a misplaced one. It is individualistic and the product of alien rule conditions. It needs a theosophical change. The next slogan for saving need be coined which should reflect saving as a national necessity.

• PSBs should develop new scheme of deposits to meet the varying needs of different type of people. In this connection, it is suggested that daily deposits/ collections schemes should be started and strengthened and almost all of the public sector banks should adopt this scheme.

• Now the ratio of interest to be allowed and other terms and condition of various types of deposits by the banks should be standardized by the RBI.

• After nationalization, customer service is under deterioration. Appropriate steps should be taken to improve it. In the customer service courtesy, speed, accuracy and helpful attitude in understanding the customer's need will get a long way in toning up bank deposits.
In India, PSBs are open to the public for only 22 hours in a week, whereas in London banks are open for 27.5 hours and in New York for 40 hours in a week. It is, therefore, suggested that banking hours should be increased.

PSBs should change their approach from ‘account oriented’ to a ‘customer-oriented’. To meet the growing needs and opportunities, a sensitively responsive banking system is essential.

**Over Dues:**

The PSBs are facing the problems of poor recovery of loans given specially to the priority sectors. The improper identification of borrowers, wrong formulation of scheme, lack of proper supervision over the end use of credit lack of adequate report with the borrowers and lack of prompt and necessary action by the bank staff can be cited as sense of the important factors responsible for mounting of overdue in commercial banks. It is, therefore, suggested that adequate care should be taken in identification of the borrowers and implementation of the various lending scheme. Moreover, proper supervision regarding the utilization of advances made would go a long way in insuring better recovery of loans.

**NPA Management:**

Today, banks depend on the mercy of big borrowers. The biggest problem faced by banks is that the companies go bankrupt, but the promoters remain wealthy and they force the banks to give all sorts of undeserved concessions. Simply declaring them willful defaulters, does not solve the problem for the banks; on the contrary it results in further siphoning off of funds and stripping of assets of companies leaving the banks high and dry.

A special insolvency law should be immediately enacted by which all those who borrow from banks beyond a certain amount should be subject to a legal stipulation that mandatorily declares the promoters and those in management unfit to continue in management, if the company they own and manage goes
into negative net worth in any financial year due to whatever reasons. Such companies should be considered bankrupt and the promoters should not be allowed to continue in management.

Following this, the recovery process from large borrowers, including sale of assets etc. needs to be expedited. Unscrupulous borrowers with political or big corporate patronage are mainly responsible for the poor performance of public sectors banks in our country.

The problem of NPA has many facets. Banks are well advised to considerably tone up their systems and procedures for ensuring that their officers take reasonable precautions before granting a loan and, once a loan is granted, to monitor effectively to identify weaknesses in time.

If during the course of operations the loan shows signs of sickness, the banks should take all steps to explore various avenues of avoiding or at best reducing their losses. Banks also ought to change their mindset away from necessarily rehabilitating every sick unit and choosing this option only in rare cases, where this course of action is fully justified.

**Profitability:**

Profit planning hitherto has taken a backseat in the PSBs in view of overstress on social-objectives. It is conveniently forgotten that with declining profitability, it becomes chronic extending credit to the neglected and weaker sections and sectors. The profitability of PSBs depends upon not only avenue of business measures to improve labour productivity and cost control measures.

A new wave of mechanization and computerization has been increased in the banking industry. Capital expenditure on this in the initial years is a heavy financial burden. Therefore, PSBs deserve to be given depreciation allowance. More importantly, since machines would be attending to a good deal of work earlier attended to by human beings, the policy towards staff intake will have to
be streamlined. Rather than adding to the number of staff and their welfare expenditure for increasing productivity would be worth considering. It is acknowledged that the labour productivity in India is too low and there is scope for doubling it. Productivity increase through proper incentive proves to be cost effective. There is acute need for cost audit in addition to the usual audit being done now.

Into the present pattern of branch expansion of the public sector banks, it is suggested that PSBs should open their branches in rural areas up to some limit e.g. up to the block headquarters, and below the level of block headquarters in the rural areas, a properly dovetailed system of suitable agencies should be utilized. Although for deposit banking or for providing general banking services, PSBs within easy reach of the population can cater to rural needs, the use of institutional intermediaries such as PACs, FSS, LAMPS and RRBs would be the more appropriate agencies for ensuring a pervasive credit structure, reducing costs and providing better and necessary services to the rural population in general and the farm sector in particular. Moreover, the PSBs should take up certain such activities which shall improve the profitability and enable banks to achieve their objectives with high degree of responsiveness. Merchant banking, lease financing, factoring are some of the fast growing areas which can help PSBs improve profitability. Some PSBs have already initiated steps in this direction and it is expected that others will follow them in coming years.

Moreover, on the basis of the research findings, the following suggestions are offered to improve the profitability of the PSBs in India.

- Prompt measures should be taken to collect the over dues from the borrowers. This will help the banks to earn profit in future.
- For improving operational efficiency, new technology should be introduced. Computerization and automation will help in reducing unproductive and costly operations.
• PSBs should take necessary steps to increase the non interest income, which only constitutes less than 20 percent of the total income, by way of collection of cheques and bills, giving guarantees, locker facilities, acting as agent providing merchant banking services and so on.

• The banks should conduct awareness programmes among the rural poor about the repayment of loans and saving habits.

• With regards to deposits, the current deposits carry zero rate of interest. Therefore, the PSBs should concentrate on mobilizing current deposits.

• To maintain a steady growth rate of deposits, it is recommended that PSBs should come forward to offer some subsidiary services like marketing assistance, technological assistance, insurance facilities, export facilities and so on.

• The PSBs should take efforts to reduce the operating expenses by means of improving the efficiency of the non viable branches by utilizing some expert services like professional management, private management and the like.

**Priority Sector Advances:**

Public sector banks should speed up their performance regarding priority sector lending. As their performance in terms of priority sector, agricultural, small scale industrial and other priority sector advances was slower than that of other banks. Besides giving impetus to other priority sector advances, PSBs should lay stress on agricultural and small scale industries advances also, as their performance is deteriorating in this regard.

The study points out that priority sector NPAs of the public sector banks in India have shown an alarming increase and this increase is maximum in the case of agriculture sector. The banks with the co-operation of Government should take steps to generate new sources of income for the agriculture sector beneficiaries. Also, the recovery procedure of the PSBs should be strengthened by organizing recovery camps with the co-operation of local government, creating awareness.
among beneficiaries about the importance of prompt repayment, fixing recovery targets, regular visits to the borrowers, sending notices to them, taking strict actions against them in case of default and setting up separate cell for recovery of priority sector loans as NPAs are highest in this sector.

PSBs should be given some incentives to achieve the targets set for priority sector. Proper awareness should be given to public regarding the schemes of priority sector by RBI as well.

Rural/ Agriculture Sector Advances:

Enhancing the growth rate in require substantial investment in irrigation and water management technologies, diversification and boosting productivity of different crops through improved seeds and plant-care practices. The move towards inclusive growth is a big challenge for the financial system of the country. The key to enhancing the growth rate in agriculture base on the retention of rural-customer loyalty by providing value-added services tailored to their needs in some of the following ways:

- PSBs would need to adopt an innovative, customer-friendly approach to increase their effective reach so that the share of organized financing increases. A participatory and partnership-based model for financial inclusion, coupled with community-linked financial initiatives is the need of the hour. PSBs should move to high-tech banking, customer-friendly products, delivery channels, relationship banking, dependency on IT systems and competitive pricing would be the driving forces.
- Traditionally PSBs have viewed rural areas as a segment purely in need of upliftment. However, the future lays with those who see the poor as their customers, namely, financial inclusion. By ‘financial inclusion’ is meant the provision by the financial system, of financial products and services at an affordable price, to those who have been financially excluded. As banking services are in the nature of a public utility service, it
is essential that banking and payment services are provided to the entire population without discrimination.

- It is important to mention that some banks have launched a new initiative called ‘Village Knowledge Centers’. Here, technology is used to help the farmer improve his productivity. The Bank’s staff at these village knowledge centers acts as relationship managers liaising between local authorities and farmers, facilitating the opening of accounts and ensuring that credit is provided to the needy. Such examples need to be followed by the PSBs.

- PSBs should change their marketing concept. Under the new concept of marketing, the task of management should not so much be skill in making the customer do what suits the rest of the business, as to be skilful in conceiving and making business do what suits the interest of the customers.

- Stress should be laid on deposit mobilisation from the agricultural sector itself to finance its own credit requirements. Such a move will entail two steps—curtailment of unproductive expenditure and deposit of savings by the agriculturists in PSBs. It is common knowledge that villagers spend huge sums on unproductive social ceremonies, drinking, litigation, etc. Their outlook needs to be changed with the help of banking staff and utilizing the services of the mass media.

- Vast sums of money are lying idle even today in rural areas. To mobilise the savings of the villagers, the services of the moneylenders—both professional and agricultural—can be utilised. The PSBs may appoint them as their agents. The PSBs should then ask them to encourage the villagers to deposit their money in the PSBs and approach the banks for loans through them. The banks may give them a sort of del credere commission, depending upon the quantum of business done by them. Such a step would help in mobilising savings.

- There is need for a reorientation in the credit policy of PSBs. Priority sector lending should be restricted only to the core sector. PSBs should provide
credit not merely on the basis of collateral security such as land and buildings but they should also advance loans to the agriculturists after assessing the ‘absorptive capacity’ and the increase in productivity that is feasible with the help of such loans. Crops should also be accepted on a loan of security. To assess the ‘absorptive capacity’ of the farmers PSBs should maintain a staff of agricultural experts.

- The PSBs should also provide credit to the agriculturists on the basis of ‘joint guarantee’ given by the village panchayat or by a few well-known farmers of the village. The acceptance of such a basis will greatly help the farmers, particularly small farmers, in securing loans from PSBs.

- One problem experienced by PSBs is that, many a time, villagers divert the loans from productive to unproductive uses. This needs to be stopped and it needs to be ensured that the credit is used for the purposes for which it is meant. It should be ensured that inputs are supplied in adequate quantities and in time and complementary and supplementary facilities are also available.

- Finally, it needs to be remembered that stray attempts would not solve the problem of agricultural credit. The credit system as a whole—government, commercial and cooperative—must be so knit together that it does not suffer either from a gap or an overlap.

- Education about financial knowledge (financial inclusion) to marginal and small farmers be spread through NGOs and educational institutions. Role of government should strictly be adhesive to infrastructure development like road, transport, irrigation and electricity Micro financing (bank linkage) is a right step for financial inclusion. Recovery process of loan must be elastic and based on reality.

**Corporate Governance:**

In order to improve the performance of public sector banks, it is necessary to bring all public sector banks under the Companies Act, 2013 and make them accountable to public shareholders. Today they are only accountable only to the

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majority shareholder, and the AGMs are a mere farce. They bend backwards to appease the powers that be and follow hackneyed policies to suit political bosses without any innovation in their operations. The system of appointment of independent directors leaves much to be desired. There is a need to overhaul the entire system of appointment of the top management of banks, making it transparent and merit oriented.

**Dual Control over Public Sector Banks:**

The RBI is the banking regulator but Public Sector Banks have a super regulator in the Finance Ministry of the Central Government, who by virtue of their majority shareholding, take the liberty to issue periodic directions to public sector banks in matters of banking operations. While the Central Government as the majority shareholder is represented by a Finance Ministry official on the boards of public sector banks, it is preposterous to issue separate directions which are outside their domain, which put the public sector banks in a bind and undermines the authority of RBI.

**Political Interference:**

Politicianization of banking division and bureaucratic interference has eclipsed all the good work achieved through nationalization. The top officials of banks owe their positions to these bigwigs in the higher echelons of the government and are bound to show obeisance to their demands, putting the banks at risk.

It is necessary to issue strict instructions to public sector bank chiefs that they too should insist upon written instructions from all those in power and act upon them only if they are in accordance with rules and are in the best interest of the banks concerned. This would go a long way to improve the functioning of banks and serve the interest of our nation. Loan-melas and debt write-offs are the part of the story. So, it is suggested that the PSBs should be given free hand to take their decisions.
Inspection Rating on Public Domain:

The RBI conducts an annual financial review of all banks, but their reports are kept confidential and their findings are never published. Those banks who continue to be rated poor must be pulled up and made answerable for their poor performance. The banks’ performance under all parameters must be made known to the customers of banks to keep the managements of banks on their toes.

Bank Auditors Accountability:

It is a well-known fact that window dressing of balance sheet of banks is most common in our country. The most common occurrence in this sphere is fudging the balance sheet just before the retirement of a CMD of the bank. Now that the appointment of auditors is proposed to be delegated to individual banks, the chances of such financial jugglery taking place will be much higher, unless drastic steps are taken to ensure that the auditors are made accountable for large variations in key parameters every quarter and shown the door if found to be hand in glove with the management.

Reorganising the Banking System:

The present system of public sector banks is spreading its branches thinly all over India. So, it is suggested that there would be an area-approach in which a bank will have a number of branches in not more than 4 to 6 contiguous states depending upon availability of managerial manpower so as to make it more efficient and less wasteful.

Improving Work-Culture:

Within banks the main stumbling block is the soft work-culture which has evolved over the years, this may be attribute to unionization and the management or rather mismanagement. So, it is desired that the PSBs should build a service
oriented work culture free from any pressure both without and within the banking industry.

**Human Resources Development:**

Human resource development is a central challenge. There is a gap in middle-level management which has to be addressed through lateral hiring, better training etc. This is essential for public sector banks. The PSBs require hiring right kind of people, with adequate knowledge of banking especially about bank management. The bank personnel selected by the banks should have sufficient knowledge in terms of financial products, financial matters and management. Training programmes should be devised for the staff including call centre and associates of these banks. More importance should be given to upgrade product knowledge and communication skills in such training programmes. There is a need for banking staff to have training in the areas of technology and interactive skills for better management.

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Conclusion and Suggestions